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STATE FOR DRL/IL PLEASE PASS TO DOL/IL BILL BRUMFIELD
TREASURY FOR INTERNATIONAL AFFAIRS CPLANTIER AND ASHAH

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SUBJECT: TURK-IS LABOR UNION PROTESTS CLOSURE OF
STATE-OWNED PAPER FACTORY

(U) Classified by: Political Counselor John Kunstadter,
reasons 1.4 (B) and (D).

1. (U) Summary. Turkish Izmit-based paper factory SEKA has been in continuous operation since 1934. Although the GOT's Privatization Administration closed this loss-making factory, Seluloz-Is, a branch of Turk-Is Labor Union, protested the closing and discouraged its members from taking advantage of SEKA's severance package. After a March 3 country-wide illegal solidarity strike by Turk-Is workers, the Privatization Administration (PA) concluded an agreement to transfer the SEKA factory and workers to the Kocaeli (Izmit) municipality. End summary.

2. (U) Since 1934, SEKA has been a government-owned and operated paper factory in Izmit in northwestern Turkey. According to Parliament's PA Vice President Ismail Destan, the plant is antiquated, expensive to run and employs 724 workers, at least twice the number of highly-paid, unionized civil servants as needed. The newest machine in the factory is 45 years old.

3. (U) A Finnish consulting company specializing in privatizations concluded that the SEKA plant, marked for privatization since 1997, was inefficient, out-of-date and should be closed. The factory, located in the middle of the town, is next to the Sea of Marmara. Even if the factory had been modernized, it would have been impossible to obtain environmental easements for the wastes produced in paper manufacturing. In 2004, the PA decided to sell SEKA's machinery and designated the property a "green space" for educational, cultural, artistic, social and scientific purposes. During a March 3 meeting, Destan told us the area had the second highest levels of cancer in the country and speculated the paper factory was a possible reason for the illnesses.

4. (U) Nevres Yuksel, Turk-Is labor union international affairs director told us March 2 that the SEKA factory had closed and the workers' severance pay and bonuses had been deposited in their bank accounts. He commented that Turk-Is president Salih Kilic met with Prime Minister Erdogan regarding SEKA's closure, but did not receive a response regarding his concerns about its impact on the workers.

5. (U) Yuksel conceded that he had been advised the SEKA paper factory had long been losing money, most recently, Turkish lira (TL) 33 trillion (\$25 million) in 2004, but blamed the government for these losses, saying it had not maintained or renovated the factory properly during its ownership. He believes the paper factory could have been made economically efficient with modern machinery.

6. (U) Nevertheless, the PA's Destan presented us with financial reports showing SEKA has been running at a 50 percent operating loss for some time, losing \$400 million over the past seven years, and cited high labor costs as a major factor. He noted that one worker cost SEKA TL 3 billion (\$2300), including benefits, per month while a private sector worker cost TL 800,000,000 (\$615) in today's labor market. SEKA found operating with these labor costs prohibitive.

7. (U) Destan explained that the average public worker receives at least 50 percent more in wages and benefits than a private sector employee. It became evident that it would be more cost-effective to give the workers a severance package and to close the factory rather than consider renovation. Production stopped on January 1; out of 724 workers in the factory, only 120 remain to close it down. Seluloz-Is asked the courts to cancel the closure but the Ankara Administrative Court ruled against the union.

8. (U) In closing the factory, the PA offered workers the opportunity to transfer to a Mersin paper factory constructed in 1980, and offered incentives such as housing and transportation, even making this offer twice, hoping to attract around 200 workers to move to the new location. Seluloz-Is pressured workers not to accept the offer and

today there are 110 empty spacious houses in Mersin.

¶9. (U) The PA offered workers the following options: (1) to receive severance pay plus a salary for eight months if they wanted to establish their own business; or (2) public sector employment with salaries commensurate with their education levels, albeit at lower levels than their previous comfortable SEKA salaries. For example, a university graduate would earn TL 761 million (\$585) per month and a high school graduate TL 681 million (\$524), or one-third of the SEKA salary. Currently the minimum wage in Turkey is TL 540 million (\$415) per month. Since workers did not accept these offers, the PA deposited severance payments in the employees's bank accounts and "severed relations."

¶10. (U) Destan asserted the PA tried to handle the transition so it would not be overly disruptive for the worker. Seluloz-Is instructed its members to reject the PA's offers. Forty-eight people did apply to work in Mersin but reconsidered when, according to Destan, the union directed threats at their families and children. Sixteen workers are currently in Mersin but are being threatened that their houses will be burned down and their children harmed. These offers, available twice, expired January 1 and February 18.

¶11. (U) Yuksel believes that unions are less efficient today after the 1980 coup and commented that after that event, solidarity strikes were forbidden in Turkey. However, on Friday, March 4, Turk-Is members throughout Turkey remained at their workplaces all night in a demonstration of solidarity with the workers of the closed paper factory. Critical of the GOT's privatization program, CHP opposition leader Deniz Baykal, along with a group of parliamentarians, visited Turk-Is headquarters on March 4 to express support for the striking SEKA workers. In addition, according to Yuksel, the prior week former Prime Minister Bulent Ecevit, who originally authorized the plant's privatization, came out in support of the workers. In a rare display of candor from a labor union official, Yuksel commented that personally he did not think the solidarity strike would be very effective, but Turk-Is members wanted to demonstrate in support of the workers at the closed factory. Speculating the GOT would not dare to arrest sympathy strikers while Turkey is working to achieve harmonization with the EU, he was unable to predict what would happen in the aftermath of the strike.

¶12. Less than one week later, in response to the illegal solidarity strike, the GOT is once again offering alternatives to SEKA's displaced workers. As a result of Transportation Minister Binali Yildirim's efforts at mediating the privatization dispute with Turk-Is President Salih Kilic, Seluloz-Is President Ergin Alsan and Izmit Metropolitan Municipality Mayor Ibrahim Karaosmanoglu, SEKA's holdings and workers will be transferred to the Izmit Municipality. Yuksel believes it highly improbable the factory will reopen and expects it to be sold and the land surrounding it will be used as a green space, as originally planned. The municipality is expected to employ SEKA's workers at salaries approximating what they previously earned rather than the significantly lower amount prevailing in the private sector.

¶13. Comment: Under the economic reform program the GOT has worked out with the IFIs, one key objective is to privatize or otherwise dispose of State-Owned Enterprises (SEEs) especially those causing a financial burden on the national budget. Though privatization can come at a cost to the SEE employees -- it means a lower number of workers employed, lower worker salaries and fewer guaranteed benefits than in the past -- the PA has tried to mitigate these effects with the above-mentioned employment incentives. End comment.

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